

TO: The Discount Brand Group

FROM: Michael Mahan

SUBJECT: Spending Guidelines

DATE: April 20, 1994

The following guidelines will apply to the expenditure of Discount Brand funds.

1. As a matter of course, all items/services will be purchased for the Discount Brand Group with adherence to PM/USA's Standard Procedures in acquiring such items and/or services. Waiving the bid process, the use of air freight and overtime will be rare exceptions to be employed only as the option of last resort after all other alternatives have been thoroughly discussed and evaluated.
2. PM/USA lawyers or their representatives are to be included at the earliest phase of the planning process when ideas are being conceived. Ideas/Items are not to be seriously considered and/or opened for bid without prior discussion with the lawyers concerning legal issues. If any item or service requires research from a legal perspective, e.g. patent and trademark issues, then the Brand Manager must pursue one of the following courses of action prior to proceeding:
 - A. Build in the extra time to the planning process so that no additional costs will be assumed.
 - B. Justify to me in writing the importance of proceeding and assuming of the risk of additional charges due to last minute changes as a consequence of potential legal issues. Together we will in turn discuss the matter with Bob.
 - C. Abandon the idea.
3. If in the remote case an exception to our standard procedure is required and has been approved, a memo written by the Brand Manager must be attached to the purchase requisition outlining not only the reason for the exception, but also the other options considered and the reasons for their having been rejected. Reference to documentation written by other departments is unacceptable and consequently the purchase requisition and/or agency estimate without the Brand Manager's attachment will not be signed. The Brand Manager will also hand deliver the requisition to the approving levels of Management to answer any questions they may have.

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4. We will accept only the legal opinion of PM/USA Lawyers or their representative. The opinion of Suppliers' or Leo Burnett's legal departments will not suffice, nor should this advice be considered as an adequate "gut check" on whether or not it is OK to proceed. Further, Brand Managers should, if confused about a legal issue, discuss it with our lawyers and not accept a secondhand briefing from other departments or anybody else - - Incidentally, this includes me.
5. Clearly, potential problems are not limited to legal issues, however, the same rules are applicable to the other disciplines associated with the procurement of goods and services. For example, Financial Controls and Best Practices in the handling of coupons or similar initiatives are to be reviewed with the appropriate personnel in PM/USA Finance Department and again adequate lead time is to be built in for research in this regard to ensure that deadlines are met without the assumption of additional costs. If, as indicated in point two above, the brand manager feels strongly about the need to proceed he/she must follow the same procedures as outlined in point two.
6. Obviously, the rules outlined above apply to plans and programs that involve numerous groups that support our brands and procure goods and services. I neither expect you to be, nor desire that you become, a technical expert in any of these areas. I do, however, expect you to manage the process and will hold you accountable for its outcome.

I recognize that these procedures are stringent and potentially time consuming. However, they are also necessary to ensure that we get the most efficient use of our resources.



cc: K. Bunte
M. Meade LBCO
D. Berensen
V. Murphy
R. Mikulay

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